



Investment Office

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

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AGENDA ITEM 4a

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** AIM Spring Fed Pool
- II. PROGRAM:** Alternative Investment Management (AIM) Program
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

In June of 2001, the AIM Unit established a spring fed pool of consultants to assist staff with the management and oversight of the Program. Since that time, the pool has been modified to include new consultants as necessary. The contracts for the existing consultants expire on June 30, 2006.

As a reminder, the primary types of services provided by AIM's spring fed pool consultants are:

- Due Diligence
- Monitoring and Reporting
- Strategic Advice
- Investment Banking
- Financial and Accounting Advice

At the September 19, 2005 Investment Committee meeting, staff informed the Investment Committee of its intent to establish a new spring fed pool (due to the expiration of the existing pool contracts). Subsequent to that meeting, Pension Consulting Alliance presented a Strategic Review of the AIM Program to the

Investment Committee. The review included an overview of the AIM Unit's use of consultants. The establishment of the new spring fed pool is consistent with the Investment Committee's direction regarding said review.

Staff then prepared a Request for Proposal (RFP) for the spring fed pool. In developing the AIM RFP, Staff met with members of the Legal Office, Operation Support Services Division, and INVO Administration to finalize the RFP.

The RFP required consultants to meet minimum qualifications and to provide detailed responses regarding the services they were proposing to provide. The RFP required the consultants to provide a firm history and identify the dedicated team that would work with staff. Consultants were also required to provide fee structures, references, and disclose any potential conflicts of interest.

Staff released the AIM spring fed pool RFP on November 4, 2005, sending out 47 RFP's. Staff received 22 responses.

The RFP provided a four-phase scoring process:

- Phase 1 – Preliminary review and Technical Proposal Evaluation
- Phase 2 - Fee Proposal Scoring
- Phase 3 – Reference Checks
- Phase 4 – Interviews

A preliminary review was conducted on all responses by staff from Operation Support Services Division. AIM Staff then scored the responses on their technical evaluation, fee proposal, and reference checks. Of the responses, 17 firms qualified to be interviewed. The final selection of the AIM spring fed pool consultants was based on the total combined score through the four phases of the RFP. Based on the final scores, the AIM Staff has selected the following firms to join the AIM spring fed pool, subject to successful contract negotiations:

Aldus Equity
Blomquist & Co.
Brock Capital Group LLC
Cogent Partners LP
Hamilton Lane, LLC
Houlihan Lokey Howard & Zukin Financial Advisors
KPMG LLP
LP Capital Advisors, LLC
McKinsey & Company Inc.
Pacific Community Ventures
Pacific Corporate Group LLC
Probitas Portfolio Management
State Street Bank & Trust Co. – Private Edge Group

By design, the spring fed pool allows for the addition or removal of firms as the needs of the AIM Program evolve over time.

It is anticipated that the new pool of consultants will be in place by June 30, 2006.

The AIM Unit appreciates and thanks the 22 firms who submitted proposals. Applying for RFPs is a resource and time intensive process. Staff was impressed with the quality and detail of proposals received, reflecting the time and effort put forth by each firm.

V. STRATEGIC PLAN:

Goal IV: Assure that sufficient funds are available, first, to pay benefits and, second, to minimize and stabilize employer contributions.

VI. RESULTS/COSTS:

Approval of this agenda item would result in no increased cost. All services would be provided within the administrative budget.

Prepared by:

David Merwin
Investment Officer I

Sarah Corr
Portfolio Manager

Leon G. Shahinian
Senior Investment Officer

Anne Stausboll
Chief Investment Officer